



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Fr: Jill Gerber, 202/224-6522
Re: President's signing of Medicare bill
Da: Monday, Dec. 8, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, today made the following comment on the President's signing of legislation creating the historic prescription drug benefit into law. Grassley was the chief Senate author of the legislation.

"Seniors need affordable access to prescription drugs. We're giving it to them. Seniors need an improved Medicare program, with more choices and better benefits. We're giving it to them. Seniors need to be able to keep what they have if they like it, with no changes, and still get prescription drugs. We're giving it to them. And finally, seniors in my home state of Iowa and other rural states need improved access to basic health care services. We're giving it to them. There are those who say we're doing too much. Others say we're not doing enough. I'm proud of where we've come out. I'm glad the President signed this bill. It was time to finish the job."

Highlights of the New Medicare Law

Medicare recipients will have the option of purchasing prescription drug coverage for about \$35 a month and, after paying a \$250 deductible, would have 75 percent of their medicine bills covered, up to \$2,250. This benefit will reduce the typical beneficiaries' drug costs by about half. The upfront costs will be waived for low-income seniors, who will be charged \$1 to \$5 in drug co-payments. For these lower income seniors, the benefit covers 85 percent to 98 percent of the cost of their prescriptions.

Next April, seniors will be able to purchase drug discount cards until the full benefits are implemented. Seniors will save 10 percent to 25 percent off the cost of most medicines through a Medicare-approved drug discount card. This card program will be entirely voluntary. In addition to receiving discounts through the drug card, low-income seniors under 135 percent of the federal poverty level will receive a \$600 subsidy until the drug benefit begins in January 2006.

The new law also lowers drug costs for all Americans, not just those with Medicare, by speeding the delivery of new generic drugs to the marketplace

Additionally, the new law establishes new opportunities for seniors to choose Medicare

coverage via private plan options. Every senior can choose between these new options and staying in traditional Medicare.

The far-reaching law also increases Medicare funding for doctors, hospitals and other health care providers, particularly in rural areas, where reimbursement levels are far below what is paid in other regions of the country.

The rural package is the most dramatic improvement in rural health care any Congress has ever considered: A \$25 billion commitment over 10 years. The provisions are offset by other program changes, not by seniors' prescription drug money. Hospitals, doctors, home health agencies, and ambulance companies in states like Iowa will see dramatic improvements in their Medicare payments.

Iowa hospitals and health care providers will receive an additional \$438 million over the next ten years from Medicare, and Iowa hospitals will receive an additional \$141 million over the next ten years from Medicaid.

Additionally, the law protects retiree coverage by providing plan sponsors \$89 billion over 10 years to encourage them to retain the health coverage they provide their retirees. While companies have been dropping the health coverage they provide for retirees in the absence of a Medicare prescription drug benefit, the additional funding is meant to encourage companies to retain that health coverage.

The law also establishes tax-preferred health savings accounts for individuals with high-deductible insurance coverage.

The Medicare modernization plan has been endorsed by the AARP, the Alzheimer's Association, the Mayo Clinic, the Rural Hospital Coalition, the Generic Pharmaceutical Association, the National Council on Aging, the American Medical Association, the American Hospital Association, and numerous other patient groups and health care organizations.